

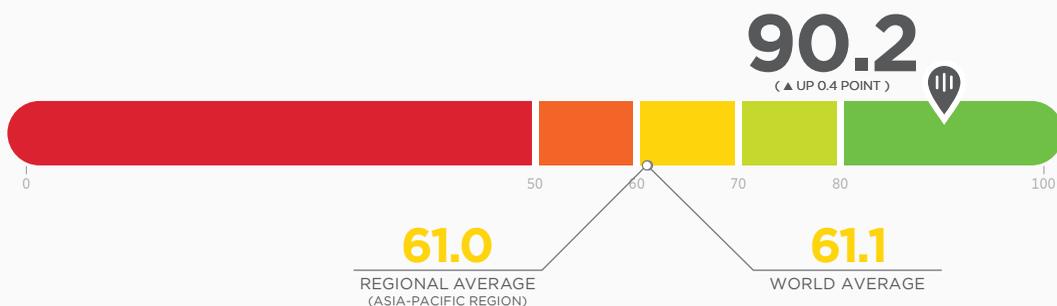
# HONG KONG

**H**ong Kong's economic freedom score is 90.2, making its economy the freest in the 2018 *Index*. Its overall score has increased by 0.4 point, with improvements in **government integrity**, **business freedom**, and **monetary freedom** offsetting a decline in the score for the **property rights** indicator. Hong Kong is ranked 1st among 43 countries in the Asia-Pacific region, and its overall score is well above the regional and world averages.

An exceptionally competitive financial and business hub, Hong Kong remains one of the world's most resilient economies. A high-quality legal framework provides effective protection of property rights and strongly supports the rule of law. There is little tolerance for corruption, and a high degree of transparency enhances government integrity. Regulatory efficiency and openness to global commerce undergird a vibrant entrepreneurial climate. Hong Kong's economic linkage with the mainland is most evident in the finance and trading sectors.



## ECONOMIC FREEDOM SCORE

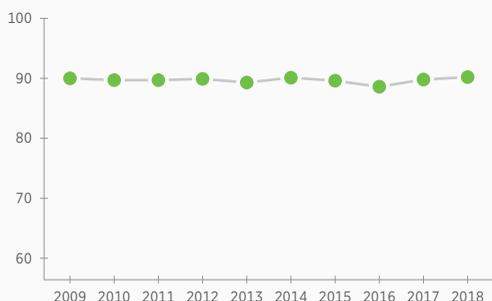


**NOTABLE SUCCESSES:**  
Government Size, Open Markets,  
and Regulatory Efficiency

**CONCERNS:**  
Government Integrity and  
Judicial Effectiveness

**OVERALL SCORE CHANGE  
SINCE 2014:**  
+0.1

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
7.4 million

**GDP (PPP):**  
\$429.7 billion  
1.9% growth in 2016  
5-year compound  
annual growth 2.4%  
\$58,322 per capita

**UNEMPLOYMENT:**  
3.4%

**INFLATION (CPI):**  
2.6%

**FDI INFLOW:**  
\$108.1 billion

**PUBLIC DEBT:** 0.1%  
of GDP

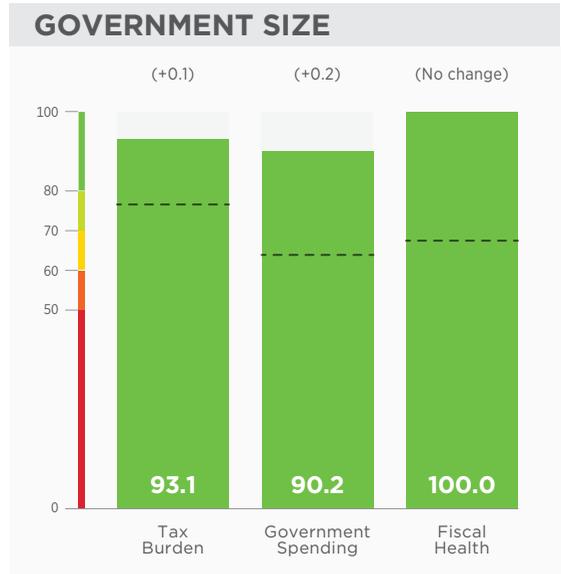
*2016 data unless otherwise noted. Data compiled as of September 2017*

**BACKGROUND:** Hong Kong became part of the People's Republic of China in 1997. Carrie Lam began a five-year term as chief executive in July 2017. Under the "one country, two systems" agreement, China promised not to impose its socialist policies on Hong Kong and to allow Hong Kong a high degree of autonomy in all matters except foreign and defense policy for 50 years. This policy has been strained by PRC political interference in recent years, but Hong Kong's open and market-driven economy continues to flourish, increasingly integrated with the mainland through trade, tourism, and financial links. Hong Kong's reliance on foreign trade and investment leaves it vulnerable to global financial-market volatility or a slow-down in the global economy.

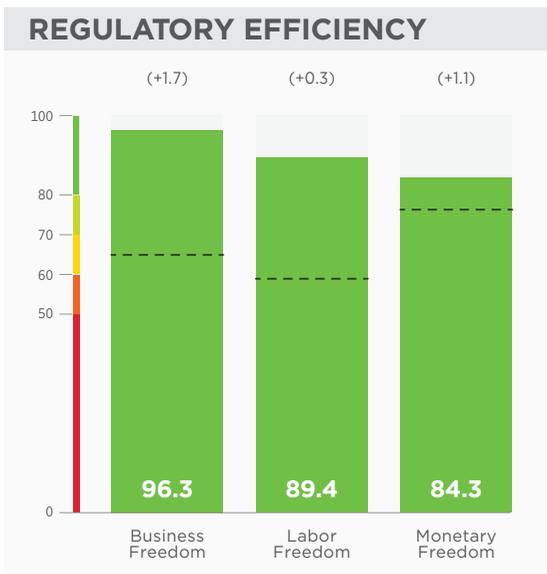
# 12 ECONOMIC FREEDOMS | HONG KONG



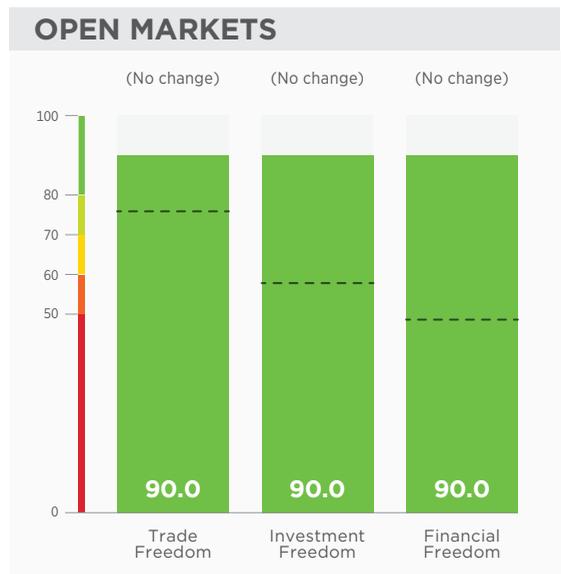
Private ownership of property is enshrined in the Basic Law. Commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. The judiciary is independent, but Beijing reserves the right to make final constitutional interpretations, effectively limiting the power of Hong Kong's Court of Final Appeal. Although the corruption rate is low, it is perceived as rising.



The standard income tax rate is 15 percent, and the top corporate tax rate is 16.5 percent. The tax system is simple and efficient. The overall tax burden equals 13.9 percent of total domestic income. Over the past three years, government spending has amounted to 18.0 percent of total output (GDP), and budget surpluses have averaged 2.9 percent of GDP. Public debt is equivalent to 0.1 percent of GDP.



Business operates within an efficient and transparent regulatory framework. In 2016, Hong Kong made starting a business easier by reducing the business registration fee. The labor code is strictly enforced but not burdensome. Hong Kong is the world's most services-oriented economy. There are very few price controls, but the government funds some subsidies and regulates residential rents and prices for telecommunications, public transport, and electricity.



Trade is extremely important to Hong Kong's economy; the combined value of exports and imports equals 373 percent of GDP. The average applied tariff rate is 0.0 percent. Nontariff barriers impede some trade. There is no general screening of foreign investment, and foreign investors can maintain 100 percent ownership in most cases. The financial sector remains highly competitive and well capitalized, serving as a leading global hub.